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BEFORE THE INSURANCE COMMISSIONER
OF THE STATE OF WASHINGTON

In the Matter of the Application regarding
the Conversion and Acquisition of Control of
Premera Blue Cross and its Affiliates

NO. G02-45

DECLARATION OF CLAUDIA
SANDERS

1. I am Vice President of Policy Development for the Washington State
Hospital Association, located at 300 Elliott Avenue West, Suite 300, Seattle, Washington.
I have personal knowledge of the matters stated herein.

2. The Washington State Hospital Association (hereinafter referred to as
“WSHA”) is an advocacy organization representing nearly all of Washington State’s
hospitals.

3. Our member hospitals are concerned that conversion of Premera Blue Cross
and its affiliates (collectively, Premera) from non-profit to for-profit status would
adversely affect them, their patients and communities, and their ability to insure their own
employees.

1 4. A majority of WSHA's members have hospital services contracts with
2 Premera. These member hospitals will be adversely affected by limits on the type and
3 extent of insurance Premera offers to their communities, and any reductions in payments as
4 a result of conversion to for-profit status. For some of the most fragile rural hospitals,
5 significant reductions in payments could lead to hospital closures.

6 5. In addition, if profit motive causes Premera to discontinue coverage in
7 selected communities, discontinue participation in state public programs, or increase rates
8 to consumers, the number of people without insurance will likely increase. Member
9 hospitals will be affected by these changes through an increase in the number of
10 emergency room patient visits, and/or amount of charity care provided to uninsured
11 patients.

12 6. Hospitals across the state have over the last few years become increasingly
13 financially vulnerable due to a number of factors including reduced payments for services,
14 skyrocketing medical liability insurance premiums, and health care staff shortages. Any
15 decrease in the number of insured patients, decrease in hospital payment rates, or increase
16 in burdens of processing claims due to a Premera conversion to for-profit status could
17 negatively affect hospital margins which have been well below the levels needed for
18 financial health while Premera is in its current form.

19 7. Due to members' serious concerns about these impacts, WSHA has devoted
20 a considerable amount of staff time and resources to monitoring and assessing Premera's
21 proposal. In so doing, WSHA has and will utilize its well developed expertise in data
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1 gathering through the Health Information Program as well as its analytical capability to
2 evaluate aspects of the proposed transaction on hospitals and the patients they serve.

3 8. WSHA has for years monitored the health insurance market and how it
4 affects hospitals, as evidenced by WSHA's yearly publication "Profile of Washington
5 State Health Plans."

6 9. If necessary, WSHA is also prepared to acquire additional expertise to
7 contribute to the understanding of the proposed conversion's impact on Washington State
8 hospitals.

10 10. Unless allowed to fully participate in the proceedings concerning the
11 proposed Premera transaction, WSHA will not be able to offer an accurate and full
12 evaluation of the potential impact of the proposed transaction on hospitals.

13 11. I DECLARE UNDER PENALTY OF PERJURY UNDER THE LAWS OF
14 THE STATE OF WASHINGTON THAT THE FOREGOING IS TRUE AND CORRECT.
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17 Executed at SEATTLE, Washington, this ____ day of November, 2002.

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20 _____
21 Claudia Sanders, Vice President
22 Policy Development
23 Washington State Hospital Association

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